



Peterson  
Allred  
Jackson

**NORTH LOGAN CITY**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2005**

**With Comparative Totals  
For June 30, 2004**

■ Certified Public Accountants  
Business Consultants

2100 North Main • North Logan, Utah 84341

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## **INTRODUCTORY SECTION**

# CITY OF NORTH LOGAN

VAL POTTER, MAYOR

2076 NORTH 1200 EAST  
NORTH LOGAN, UTAH 84341  
(435) 752-1310  
FAX (435) 752-1357

JEFFREY M. JORGENSEN, P.E.  
CITY ADMINISTRATOR, RECORDER

September 9, 2005

North Logan City  
North Logan, Utah

Council:

It is with great pleasure that the financial statements for the North Logan City for the year ended June 30, 2005, are presented.

In addition to the fund financial information currently presented in the City's financial statements, this report includes government-wide financial statements. The government-wide financial statements include a Statement of Net Assets that provides the total net assets of the City including all capital assets (including infrastructure) and the Statement of Activities that shows the cost of providing government services.

State law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. These financial statements are hereby issued and submitted to you for the fiscal year ended June 30, 2005, in accordance with these requirements.

This report consists of management's representations concerning the finances of North Logan City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established an internal control framework that is designed to both protect the assets of the City from loss, theft, or misuse and to allow for the compiling of sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's internal control procedures have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of management's knowledge and belief, this financial report is complete and reliable in all material respects.

North Logan City's financial statements have been audited by Peterson Allred Jackson, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of North Logan City for the fiscal year ended June 30, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that North Logan City's financial statements for the fiscal year ended June 30, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

I wish to express my appreciation to all members of the City who assisted and contributed to the preparation of this report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Val Potter", is written over the printed name.

Mayor Val Potter  
North Logan City

**FINANCIAL SECTION**

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Peterson  
Alfred  
Jackson

▪ Certified Public Accountants  
Business Consultants

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
North Logan City  
North Logan, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the North Logan City, Utah (the City), as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 9, 2005 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results for our audit.

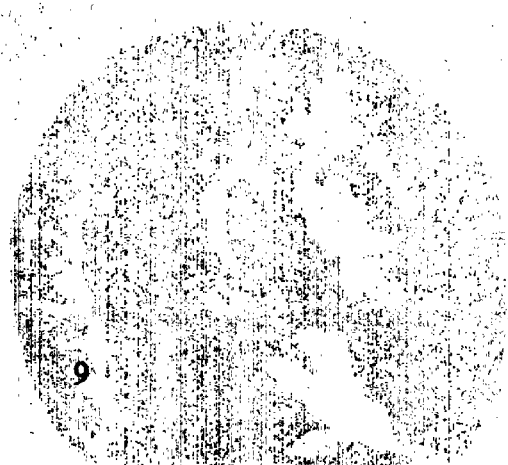


Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The combining nonmajor fund statements listed in the table of contents are presented for purposes of additional analysis of the financial statements of the City. Such information has been subjected to auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The Management's Discussion and Analysis on pages 10-14, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Peterson Allred Jackson*

September 9, 2005



## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of North Logan City we offer readers of North Logan City's financial statements this narrative overview and analysis of our financial activities for the fiscal year ended June 30, 2005.

### FINANCIAL HIGHLIGHTS

- The total net assets of North Logan City increased 2.2% to \$13,794,494.
- The total net assets of \$13,794,494 are made up of \$11,905,528 in capital assets net of related debt and \$1,888,966 in other net assets.
- In the General Fund, revenues were less than expenditures by \$27,889 before other financing sources and uses.
- Total long-term liabilities of the City were reduced by \$468,938.
- Business-type activities' total net assets increased \$284,187.

### REPORTING THE CITY AS A WHOLE

This discussion and analysis is intended to serve as an introduction to North Logan City's basic financial statements, consisting of the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

**The government-wide financial statements** are designed to provide readers with a broad overview of North Logan City's finances, in a manner similar to a private-sector business.

- The statement of net assets presents information on all of North Logan City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of North Logan City is improving or deteriorating. However, you will also need to consider other nonfinancial factors.
- The statement of activities presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of North Logan City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements can be found on pages 16 & 17 of this report.

## **REPORTING THE CITY'S MOST SIGNIFICANT FUNDS**

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. North Logan City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

- Governmental funds – These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on the way money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed, short-term view of the City's general government operations and the basic services provided. Governmental fund information helps users determine whether there are more or fewer financial resources available to spend in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The only major governmental funds (as determined by generally accepted accounting principles) are the General Fund and the Capital Projects Fund. The rest of the governmental funds are determined to be nonmajor and are included in the combining statements within this report.

- Proprietary funds – North Logan City maintains one type of proprietary fund (enterprise funds), which reports the same functions presented as business-type activities in the government-wide financial statements. North Logan City uses enterprise funds to account for its Water Utility and Sewer Utility.

As determined by generally accepted accounting principles, all enterprise funds meet the criteria of major fund classification.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of North Logan City, assets exceed liabilities by \$13,794,494.

By far the largest portion of North Logan City's net assets (86%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

# STATEMENT OF NET ASSETS

	Governmental Activities		Business-type Activities	
	2005	2004	2005	2004
Current and other assets	\$ 1,280,556	\$ 2,242,268	\$ 1,832,707	\$ 1,908,722
Capital assets	9,147,379	8,561,735	7,880,500	7,468,141
Total assets	10,427,935	10,804,003	9,713,207	9,376,863
Long-term debt outstanding	2,038,498	2,339,651	3,083,853	3,241,702
Other liabilities	934,961	1,025,057	289,336	79,330
Total liabilities	2,973,459	3,364,708	3,373,189	3,321,032
Net assets:				
Invested in capital assets, net of debt	7,108,881	6,222,084	4,796,647	4,226,439
Restricted	293,790	884,745	475,212	817,046
Unrestricted	51,805	332,466	1,068,159	1,012,346
Total net assets	\$ 7,454,476	\$ 7,439,295	\$ 6,340,018	\$ 6,055,831

## CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities	
	2005	2004	2005	2004
Revenues:				
Program revenues:				
Charges for services	\$ 1,204,824	\$ 1,288,502	\$ 1,244,717	\$ 1,240,000
Dedicated property tax	274,319	263,476	32,911	32,911
Operating grants & contributions	113,317	122,143	-	-
Capital grants & contributions	487,268	455,598	244,100	389,521
General revenues:				
Property taxes	378,014	360,251	-	-
Other taxes	1,609,356	1,520,132	-	-
Investment income	14,689	15,357	50,077	24,085
Other revenues	9,431	7,874	-	-
Total revenues	4,091,218	4,033,333	1,571,805	1,686,517
Expenses:				
General government	478,644	715,538	-	-
Public Safety	1,274,435	1,128,944	-	-
Streets	940,534	858,123	-	-
Sanitation	449,064	419,725	-	-
Parks & recreation	744,794	393,707	-	-
Community development	188,566	150,076	-	-
Water	-	-	621,455	604,124
Sewer	-	-	666,163	579,724
Total expenses	4,076,037	3,666,113	1,287,618	1,183,848
Increase (decrease) in net assets	15,181	367,220	284,187	502,669
Net assets, beginning	7,439,295	7,072,075	6,055,831	5,553,162
Net assets, ending	\$ 7,454,476	\$ 7,439,295	\$ 6,340,018	\$ 6,055,831

## **FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

As of June 30, 2005, the City's governmental funds (General, Special Revenue, and Capital Projects) reported combined fund balances of \$459,493. This represents a decrease of \$867,649 (65%) over last year's ending balances.

The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to match revenues and expenses are accounted for in this fund.

Taxes are the largest source of revenue in the General Fund and represent 55% of total general fund revenues. The largest element is sales taxes, which represent 80% of total tax revenues and 43% of total General Fund revenues. This compares with 37% in the prior fiscal year ended June 30, 2004.

As stated earlier, the City maintains two enterprise funds to account for its business-type activities. The separate fund statements included in this report provide the same information for business-type activities (but in much more detail) as is provided in the government-wide financial statements.

Significant changes in the governmental funds include a decrease of long-term debt of \$301,153 due to bond and lease principal payments.

Significant changes in business-type activities include a decrease in long-term debt of \$157,849 due to bond principal payments.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The General Fund original budget for expenditures was \$3,558,273, which was increased 15% to \$4,099,612 to pay for street and park improvements.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital assets – North Logan City's investment in capital assets (net of accumulated depreciation) as of June 30, 2005, amounts to \$17,027,879. This includes land, buildings, improvements, infrastructure (streets, sidewalks, etc), and equipment. The total increase in the City's investment in fixed assets was 6% due to capital additions noted below, less depreciation and assets disposed of in Note 10 to the financial statements.

Major capital asset events during the current fiscal year included the following:

- \$808,957 for construction of roads and sidewalks.
- \$630,533 for water system improvements.
- \$442,140 for replacement of vehicles and equipment.
- \$97,639 for additional right-of-way and cemetery land.
- \$48,697 for sewer system improvements.

## NORTH LOGAN CITY'S CAPITAL ASSETS

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
Land & water shares	\$ 1,972,908	\$ 27,310
Buildings and equipment	4,957,370	738,850
Systems	12,261,120	11,469,660
Less: Accumulated depreciation	<u>(10,044,019)</u>	<u>(4,355,320)</u>
Total	<u>\$ 9,147,379</u>	<u>\$ 7,880,500</u>

Additional information on the City's capital assets can be found in the footnotes to this financial report.

Long-term debt – At June 30, 2005, the City had total bonded debt outstanding of \$4,933,853. Of this amount \$4,303,961 is considered to be general obligation debt and backed by the full faith and credit of the City. The remainder of \$629,892 is debt which is secured solely by specific revenue sources (i.e., revenue bonds).

## NORTH LOGAN CITY'S OUTSTANDING DEBT

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
General obligation bonds- water, sewer, library, and roads	\$ 1,850,000	\$ 2,453,961
Revenue bonds		<u>629,892</u>
Total outstanding debt	<u>\$ 1,850,000</u>	<u>\$ 3,083,853</u>

The City's bonded debt decreased by \$347,849 during the fiscal year.

Additional information on the outstanding debt obligations of the City can be found in the footnotes to this report.

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**NORTH LOGAN CITY**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**  
**With Comparative Totals for June 30, 2004**

	Governmental Activities	Business-type Activities	Memorandum Totals	
			2005	2004
<b>ASSETS</b>				
Current Assets:				
Cash & Cash equivalents	\$ 101,084	\$ 1,226,699	\$ 1,327,783	\$ 1,322,782
Account receivable, net	864,992	105,648	970,640	1,010,573
Prepaid expense	8,470	-	8,470	9,368
Total current assets	974,546	1,332,347	2,306,893	2,342,723
Noncurrent assets:				
Deferred issue cost	12,220	25,148	37,368	40,243
Restricted assets:				
Cash	246,812	475,212	722,024	1,701,791
Accounts receivable	46,978	-	46,978	66,233
Capital assets:				
Land and water shares	1,972,908	27,310	2,000,218	1,902,579
Distribution and collection systems	12,261,120	11,469,660	23,730,780	23,624,525
Buildings and equipment	4,957,370	738,850	5,696,220	5,237,449
Less: Accumulated Depreciation	(10,044,019)	(4,355,320)	(14,399,339)	(14,734,677)
Total noncurrent assets	9,453,389	8,380,860	17,834,249	17,838,143
Total assets	10,427,935	9,713,207	20,141,142	20,180,866
<b>LIABILITIES</b>				
Current liabilities:				
Cash allocation	112,395	-	112,395	59,467
Accounts payable	49,834	272,676	322,510	218,872
Accrued expense	34,731	-	34,731	28,525
Deposits	10,495	-	10,495	29,009
Accrued interest payable	-	16,660	16,660	17,423
Bonds/leases payable within one year	283,488	166,715	450,203	463,852
Total current liabilities	490,943	456,051	946,994	817,148
Noncurrent liabilities:				
Bonds payable	1,650,000	2,917,138	4,567,138	4,932,032
Leases payable	105,010	-	105,010	185,469
Accrued compensated absences	126,118	-	126,118	123,091
Deferred revenue	601,388	-	601,388	628,000
Total noncurrent liabilities	2,482,516	2,917,138	5,399,654	5,868,592
Total liabilities	2,973,459	3,373,189	6,346,648	6,685,740
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	7,108,881	4,796,647	11,905,528	10,448,523
Restricted for:				
Debt service	-	370,317	370,317	366,041
Impact fees	71,357	104,895	176,252	658,726
Class C roads	46,978	-	46,978	136,293
Library debt service	151,422	-	151,422	262,272
Road construction	-	-	-	39,351
Equestrian Park	5,405	-	5,405	5,273
Little League	3,079	-	3,079	2,702
State liquor funds	15,549	-	15,549	10,519
Encumbrances	-	-	-	220,614
Unrestricted	51,805	1,068,159	1,119,964	1,344,812
Total Net Assets	\$ 7,454,476	\$ 6,340,018	\$ 13,794,494	\$ 13,495,126

The notes to the financial statements are an integral part of this statement.



**NORTH LOGAN CITY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2005**  
**With Comparative Totals for June 30, 2004**

	Program Revenues						Memorandum Totals	
	Expenses	Charges for Services	Dedicated Property Tax	Operating Grants & Contributions	Capital Grants & Contributions	Net Governmental Activities	Business Type Activities	
<b>Governmental activities:</b>								
General government	\$ 478,644	\$ 243,869	\$ -	\$ 57,847	\$ -	\$ (176,928)	\$ -	\$ (393,544)
Public Safety	1,274,435	452,782	-	4,597	8,285	(808,771)	-	(546,278)
Streets	940,534	-	-	-	365,394	(575,140)	-	(467,218)
Sanitation	449,064	472,067	-	-	-	23,003	-	17,490
Parks and recreation	744,794	36,106	274,319	50,873	113,589	(269,907)	-	3,232
Community development	188,566	-	-	-	-	(188,566)	-	(150,076)
Total governmental activities	4,076,037	1,204,824	274,319	113,317	487,268	(1,996,309)	-	(1,536,394)
<b>Business-type activities:</b>								
Water	621,455	708,773	-	-	166,205	-	253,523	395,797
Sewer	666,163	535,944	32,911	-	77,895	-	(19,413)	82,787
Total business-type activities	1,287,618	1,244,717	32,911	-	244,100	-	234,110	478,584
<b>General Revenues:</b>								
<b>Taxes:</b>								
Property taxes levied for general purposes						378,014	-	360,251
Franchise taxes						10,860	-	10,905
General sales taxes & highway sales taxes						1,598,496	-	1,509,227
Business licenses						8,381	-	7,874
Sale of fixed assets						1,050		
Investment income						14,689	50,077	39,442
Total general revenues						2,011,490	50,077	1,927,699
Change in net assets						15,181	284,187	869,889
Net assets - beginning						7,439,295	6,055,831	12,625,237
Net assets - ending						\$ 7,454,476	\$ 6,340,018	\$ 13,495,126

The notes to the financial statements are an integral part of this statement.

**NORTH LOGAN CITY  
GOVERNMENTAL FUNDS TYPE  
BALANCE SHEET  
JUNE 30, 2005  
With Comparative Totals for June 30, 2004**

	General	Capital Projects	Nonmajor Governmental Funds	Memorandum Totals Governmental Funds	
				2005	2004
<b>ASSETS</b>					
Cash & cash equivalents	\$ -	\$ 27,169	\$ 73,915	\$ 101,084	\$ 376,922
Restricted cash	246,812	-	-	246,812	884,745
Accounts receivable, net	864,992	-	-	864,992	891,840
Restricted accounts receivable	46,978	-	-	46,978	66,233
Prepaid expense	8,470	-	-	8,470	9,368
<b>Total assets</b>	<b>\$ 1,167,252</b>	<b>\$ 27,169</b>	<b>\$ 73,915</b>	<b>\$ 1,268,336</b>	<b>\$ 2,229,108</b>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>Liabilities:</b>					
Cash allocation	\$ 112,395	\$ -	\$ -	\$ 112,395	\$ 59,467
Accounts payable	12,907	26,907	10,020	49,834	156,965
Accrued expenses	31,496	262	2,973	34,731	28,525
Deposits	10,495	-	-	10,495	29,009
Deferred revenue	601,388	-	-	601,388	628,000
<b>Total liabilities</b>	<b>768,681</b>	<b>27,169</b>	<b>12,993</b>	<b>808,843</b>	<b>901,966</b>
<b>Fund Balance:</b>					
<b>Reserved for:</b>					
Class C roads	46,978	-	-	46,978	136,293
Park impact	69,095	-	-	69,095	70,301
Road impact	2,262	-	-	2,262	137,420
Library construction	151,422	-	-	151,422	262,272
Road construction	-	-	-	-	39,351
Equestrian Park	5,405	-	-	5,405	5,273
Little League	3,079	-	-	3,079	2,702
State liquor funds	15,549	-	-	15,549	10,519
Encumbrances	-	-	-	-	220,614
<b>Unreserved:</b>					
General fund	104,781	-	-	104,781	72,180
Special revenue funds	-	-	60,922	60,922	43,086
Capital projects funds	-	-	-	-	327,131
<b>Total fund balances</b>	<b>398,571</b>	<b>-</b>	<b>60,922</b>	<b>459,493</b>	<b>1,327,142</b>
<b>Total liabilities and fund balance</b>	<b>\$ 1,167,252</b>	<b>\$ 27,169</b>	<b>\$ 73,915</b>		

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources so they are not reported in the funds.

The cost of these assets is \$19,191,398 and \$19,220,609, respectively and the accumulated depreciation is \$10,044,019 and \$10,658,874, respectively.

9,147,379 8,561,735

Long-term liabilities, including bonds payable and capital leases and accrued compensated absences, are not payable in the current period, so are not reported in the funds.

(2,152,396) (2,449,582)

Total net assets-governmental activities

\$ 7,454,476 \$ 7,439,295

The notes to the financial statements are an integral part of this statement.

**NORTH LOGAN CITY  
GOVERNMENTAL FUNDS TYPE  
STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2005  
With Comparative Totals for June 30, 2004**

	General	Capital Projects	Nonmajor Governmental Funds	Memorandum Totals Governmental Funds	
				2005	2004
Revenues:					
Taxes	\$ 1,987,370	\$ -	\$ 274,319	\$ 2,261,689	\$ 2,143,859
Licenses and permits	190,390	-	-	190,390	295,266
Intergovernmental revenue	224,825	-	2,737	227,562	289,494
Charges for services	1,023,290	-	-	1,023,290	919,537
Fines	219,175	-	7,057	226,232	237,495
Other	104,281	292	56,432	161,005	139,221
Total revenues	<u>3,749,331</u>	<u>292</u>	<u>340,545</u>	<u>4,090,168</u>	<u>4,024,872</u>
Expenditures:					
Current operations:					
General government	475,778	-	-	475,778	669,882
Public safety	1,198,615	376,447	-	1,575,062	1,119,854
Streets	768,153	482,491	-	1,250,644	470,138
Sanitation	449,064	-	-	449,064	419,725
Parks and recreation	409,346	-	322,709	732,055	597,928
Community development	191,260	-	-	191,260	151,206
Debt service:					
Principal	190,000	-	-	190,000	190,000
Interest	95,004	-	-	95,004	103,402
Total expenditures	<u>3,777,220</u>	<u>858,938</u>	<u>322,709</u>	<u>4,958,867</u>	<u>3,722,135</u>
Excess (deficiency) of revenues over expenditures	(27,889)	(858,646)	17,836	(868,699)	302,737
Other financing sources (uses):					
Sale of capital assets	1,050	-	-	1,050	-
Transfers in (out)	<u>(311,701)</u>	<u>311,701</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>(310,651)</u>	<u>311,701</u>	<u>-</u>	<u>1,050</u>	<u>-</u>
Net change in fund balances	(338,540)	(546,945)	17,836	(867,649)	302,737
Fund balances, beginning of year	<u>737,111</u>	<u>546,945</u>	<u>43,086</u>	<u>1,327,142</u>	<u>1,024,405</u>
Fund balances, end of year	<u>\$ 398,571</u>	<u>\$ -</u>	<u>\$ 60,922</u>	<u>\$ 459,493</u>	<u>\$ 1,327,142</u>

The notes to the financial statements are an integral part of this statement.

**NORTH LOGAN CITY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2005**

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances-total governmental funds	\$ (867,649)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Purchases of fixed assets	1,405,703	
Loss on disposal of assets	(24,207)	
Depreciation expense	<u>(795,852)</u>	585,644

Governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal	190,000	
Repayment of capital lease principal	111,153	
Change in accrued compensated absences	(3,027)	
Amortization of bond issuance costs	<u>(940)</u>	<u>297,186</u>

Change in net assets of governmental activities	<u>\$ 15,181</u>
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**NORTH LOGAN CITY  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2005**

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	ACTUAL	POSITIVE (NEGATIVE)
GENERAL FUND REVENUES				
Taxes:				
General property taxes-current	\$ 307,376	\$ 286,418	\$ 276,318	\$ (10,100)
Prior years' taxes-delinquent	16,678	23,000	21,170	(1,830)
General sales & use taxes	1,510,000	1,575,161	1,598,496	23,335
Franchise taxes	12,500	12,500	10,860	(1,640)
Fee-in-lieu of property taxes	81,099	82,406	80,526	(1,880)
Total taxes	1,927,653	1,979,485	1,987,370	7,885
Licenses & permits:				
Business licenses & permits	6,400	8,300	8,381	81
Building structures & equipment	150,000	177,000	175,949	(1,051)
Animal licenses	5,500	6,000	6,060	60
Total licenses & permits	161,900	191,300	190,390	(910)
Intergovernmental revenues:				
Public safety	-	8,285	8,285	-
State and other governmental grants	2,500	6,400	4,597	(1,803)
Class "C" road fund allotment	300,000	220,000	211,943	(8,057)
Total intergovernmental revenues	302,500	234,685	224,825	(9,860)
Charges for services:				
Zoning & subdivision fees	187,500	306,585	312,713	6,128
Sale of maps & publications	1,300	2,800	2,907	107
Public safety	227,417	228,487	223,868	(4,619)
Refuse collection charges	440,100	471,000	472,067	1,067
Parks and public property	9,800	11,600	11,735	135
Total charges for services	866,117	1,020,472	1,023,290	2,818
Fines & forfeitures:				
Fines	220,000	216,500	218,418	1,918
Forfeitures	3,000	800	757	(43)
Total fines & forfeitures	223,000	217,300	219,175	1,875
Miscellaneous revenue:				
Interest earnings	25,000	18,240	14,397	(3,843)
Rents & concessions	7,000	9,000	9,018	18
Sale of materials & supplies	108,000	35,500	24,069	(11,431)
Total Miscellaneous revenue	140,000	62,740	47,484	(15,256)
Contributions & transfers:				
Transfer from other funds	-	-	-	-
Contribution from private sources	55,000	58,000	57,847	(153)
Total contributions & transfers	55,000	58,000	57,847	(153)
Total Revenues	\$ 3,676,170	\$ 3,763,982	\$ 3,750,381	\$ (13,601)

The notes to the financial statements are an integral part of this statement.

**NORTH LOGAN CITY  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
(CONTINUED)  
YEAR ENDED JUNE 30, 2005**

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
GENERAL FUND EXPENDITURES				
General government:				
Legislative	\$ 69,039	\$ 79,291	\$ 78,718	\$ 573
Judicial	143,208	155,425	152,711	2,714
Executive	94,774	85,987	93,193	(7,206)
Administrative	88,395	99,668	94,759	4,909
Non-departmental	128,642	44,701	43,563	1,138
Planning & zoning	15,160	12,473	12,834	(361)
Total general government	539,218	477,545	475,778	1,767
Public Safety:				
Police department	640,542	703,392	692,102	11,290
Fire department	201,882	247,541	238,467	9,074
Protective inspection	211,641	223,978	223,806	172
Animal control	49,666	45,351	44,240	1,111
Total Public Safety	1,103,731	1,220,262	1,198,615	21,647
Streets & public improvements:				
Streets	382,650	767,477	768,153	(676)
Sanitation	407,500	448,000	449,064	(1,064)
Total streets & improvements	790,150	1,215,477	1,217,217	(1,740)
Parks, Recreation & Public Property:				
Park & park areas	295,404	359,730	368,585	(8,855)
Recreation & culture	36,051	38,100	40,761	(2,661)
Total parks, recreation & public property	331,455	397,830	409,346	(11,516)
Community & economic development:				
Community planning	109,026	195,308	191,260	4,048
Debt service:				
Debt service	284,693	285,190	285,004	186
Transfers & other uses:				
Transfer to capital project fund	400,000	308,000	311,701	(3,701)
Total transfers & other uses	400,000	308,000	311,701	(3,701)
TOTAL EXPENDITURES	3,558,273	4,099,612	4,088,921	10,691
Net change in fund balance	117,897	(335,630)	(338,540)	(2,910)
Fund balance at beginning of year	737,111	737,111	737,111	-
Fund balance at end of year	\$ 855,008	\$ 401,481	\$ 398,571	\$ (2,910)

The notes to the financial statements are an integral part of this statement.

**NORTH LOGAN CITY  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2005  
With Comparative Totals for June 30, 2004**

	WATER	SEWER	MEMORANDUM TOTALS	
			2005	2004
<b>ASSETS</b>				
Current assets:				
Cash & cash equivalents	\$ 690,652	\$ 536,047	\$ 1,226,699	\$ 945,860
Accounts receivable, net	56,325	49,323	105,648	118,733
Total current assets	746,977	585,370	1,332,347	1,064,593
Noncurrent assets:				
Restricted cash	245,082	230,130	475,212	817,046
Deferred issue cost	25,148	-	25,148	27,083
Capital assets				
Land & water shares	26,460	850	27,310	22,810
Distribution and collection systems	7,360,294	4,109,366	11,469,660	10,791,430
Buildings and equipment	465,584	273,266	738,850	729,704
Less accumulated depreciation	(2,482,181)	(1,873,139)	(4,355,320)	(4,075,803)
Total noncurrent assets	5,640,387	2,740,473	8,380,860	8,312,270
<b>TOTAL ASSETS</b>	<b>6,387,364</b>	<b>3,325,843</b>	<b>9,713,207</b>	<b>9,376,863</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	193,616	79,060	272,676	61,907
Accrued interest payable	7,812	8,848	16,660	17,423
Bonds payable - due within a year	125,000	41,715	166,715	159,670
Total current liabilities	326,428	129,623	456,051	239,000
Noncurrent liabilities:				
Bonds payable - due in more than one year	1,975,000	942,138	2,917,138	3,082,032
Total noncurrent liabilities	1,975,000	942,138	2,917,138	3,082,032
Total liabilities	2,301,428	1,071,761	3,373,189	3,321,032
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	3,270,157	1,526,490	4,796,647	4,226,439
Restricted for debt service	245,082	125,235	370,317	366,041
Restricted for impact fees	-	104,895	104,895	451,005
Unrestricted	570,697	497,462	1,068,159	1,012,346
Total net assets	\$ 4,085,936	\$ 2,254,082	\$ 6,340,018	\$ 6,055,831

The notes to the financial statements are an integral part of this statement.

**NORTH LOGAN CITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2005**

With Comparative Totals for June 30, 2004

	WATER	SEWER	MEMORANDUM TOTALS	
			2005	2004
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 706,337	\$ 535,944	\$ 1,242,281	\$ 1,237,966
Impact fees	145,882	59,086	204,968	280,233
Other	2,436	-	2,436	2,034
Total operating revenues	854,655	595,030	1,449,685	1,520,233
<b>OPERATING EXPENSES</b>				
Wages and benefits	111,032	54,086	165,118	150,499
Professional fees	3,456	1,200	4,656	5,829
Disposal and treatment	-	382,186	382,186	317,661
Utilities	37,721	-	37,721	45,662
Repairs and maintenance	59,444	6,298	65,742	65,449
Other	71,504	40,962	112,466	102,871
Facilities	54,364	13,835	68,199	51,707
Depreciation/amortization	171,706	111,391	283,097	282,715
Total operating expenses	509,227	609,958	1,119,185	1,022,393
Operating income (loss)	345,428	(14,928)	330,500	497,840
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest income	30,637	19,440	50,077	24,085
Miscellaneous expense	(14,083)	(3,545)	(17,628)	(6,744)
Interest expense	(98,145)	(52,660)	(150,805)	(154,711)
Property tax	-	32,911	32,911	32,911
Capital contributions	20,323	18,809	39,132	109,288
Total non-operating revenue (expense)	(61,268)	14,955	(46,313)	4,829
Change in net assets	284,160	27	284,187	502,669
Total net assets - beginning	3,801,776	2,254,055	6,055,831	5,553,162
Total net assets -ending	\$ 4,085,936	\$ 2,254,082	\$ 6,340,018	\$ 6,055,831

The notes to the financial statements are an integral part of this statement.



**NORTH LOGAN CITY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2005  
With Comparative Totals for June 30, 2004**

	<u>WATER</u>	<u>SEWER</u>	<u>MEMORANDUM TOTALS</u>	
			<u>2005</u>	<u>2004</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 865,870	\$ 596,900	\$ 1,462,770	\$ 1,558,179
Payments to suppliers	(90,112)	(443,555)	(533,667)	(660,053)
Payments to employees	(75,757)	(34,286)	(110,043)	(101,341)
Net cash provided by operating activities	<u>700,001</u>	<u>119,059</u>	<u>819,060</u>	<u>796,785</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Dedicated property tax	-	32,911	32,911	32,911
Principal paid on capital debt	(120,000)	(37,849)	(157,849)	(173,158)
Interest paid on capital debt	(98,145)	(52,660)	(150,805)	(154,711)
Purchases of capital assets	(642,824)	(50,697)	(693,521)	(166,477)
Asset transfers (in) out	-	-	-	-
Capital contributions	20,323	18,809	39,132	109,288
Net cash used by capital and related financing activities	<u>(840,646)</u>	<u>(89,486)</u>	<u>(930,132)</u>	<u>(352,147)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	<u>30,637</u>	<u>19,440</u>	<u>50,077</u>	<u>24,085</u>
Net cash provided by investing activities	<u>30,637</u>	<u>19,440</u>	<u>50,077</u>	<u>24,085</u>
Net increase (decrease) in cash and cash equivalents	(110,008)	49,013	(60,995)	468,723
Cash and equivalents at beginning of year	<u>1,045,742</u>	<u>717,164</u>	<u>1,762,906</u>	<u>1,294,183</u>
Cash and equivalents at end of year	<u>\$ 935,734</u>	<u>\$ 766,177</u>	<u>\$ 1,701,911</u>	<u>\$ 1,762,906</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 345,428	\$ (14,928)	330,500	497,840
Adjustments to reconcile net income from operations to net cash provided by operating activities:				
Depreciation/amortization	171,706	111,391	283,097	282,715
Changes in assets & liabilities:				
Decrease (increase) in receivables	11,215	1,870	13,085	37,946
Decrease (increase) in other assets	-	-	-	-
Increase (decrease) in accruals	185,735	24,271	210,006	(14,972)
Miscellaneous expense	(14,083)	(3,545)	(17,628)	(6,744)
Total adjustments	<u>354,573</u>	<u>133,987</u>	<u>488,560</u>	<u>298,945</u>
Net cash provided (used) by operating activities:	<u>\$ 700,001</u>	<u>\$ 119,059</u>	<u>\$ 819,060</u>	<u>\$ 796,785</u>

The notes to the financial statements are an integral part of this statement.

**NORTH LOGAN CITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**Note 1: Structure**

North Logan City was incorporated in 1934 as a political subdivision of the State of Utah. The City is a fifth class city operating under the traditional form of government (i.e., a Governing Body consisting of a Mayor and five Council Members, with the Mayor voting only to break a tie). The Mayor appoints the Planning Commission, Library Board, and other committees with the consent of the City Council.

The justice court is located in Hyde Park. The same judge presides in both courts and Bailiffs are provided by the North Park Police Department. They are paid by Hyde Park City, with North Logan's share being billed monthly. Police services are provided by North Logan, with Hyde Park paying their share monthly. Animal control service is provided by North Logan to Hyde Park and Smithfield, with monthly charges based on an agreed formula.

Solid waste collection is provided by the Cache County Service Area. North Logan is billed monthly for this service and the county dispatch fee, which North Logan then bills to utility customers. Sewage treatment is provided by Logan City and is billed to North Logan monthly based on flow. In addition, pretreatment charges are billed to businesses after the Logan City bill is received.

Library service is funded primarily by a dedicated property tax. State law requires that a Library Board set operational policies and recommend the budget when a dedicated property tax is used. The Friends of the Library was set up as a separate organization to raise additional funds and find grants to supplement the dedicated property tax. The Friends write checks to give funds to the City for library use. The Thorne Endowment provides approximately \$70,000 per year to allow Hyde Park children to use the North Logan Library.

Water and sewer services are provided by enterprise funds.

A volunteer fire department provides fire and first responder services.

Facilities maintenance for all public buildings is allocated to other departments monthly based on square footage occupied. Parks and water treatment plant maintenance are also done by facilities department employees, but are tracked separately.

The streets department handles street maintenance, sweeping, and snow plowing.

A staff planner provides input to the Planning Commission and handles economic development.

Protective Inspection performs plan reviews, building inspections, and engineering.

A part-time recreation director coordinates recreational programs and events sponsored by the City.

The city office staff handles accounting, utility billing, and clerical functions.

## **Note 2: Summary of significant accounting policies**

North Logan City complies with accounting principles generally accepted in the United States of America applicable to governmental units (US GAAP). We apply all relevant Governmental Accounting Standards Board (GASB) pronouncements. Enterprise funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before 30 November 1989, unless those pronouncements conflict with or contradict GASB pronouncements, which take precedence.

The financial statements of the City consist only of the funds of the City. The City has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures (or expenses), as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The City applies expenses for restricted resources first when both restricted and unrestricted net assets are available.

The general fund is the major operating fund of the City. It accounts for all financial resources not required to be accounted for in another fund. All governmental funds use the modified accrual basis of accounting (i.e., revenues are recognized when they become measurable and available as net current assets; expenditures are recognized when the related fund liability is incurred). Exceptions to this general rule include principal and interest on general long-term debt, which is recognized when due.

Special revenue funds follow the same principles as the general fund, but account for legally restricted revenues such as dedicated property tax. When the special revenues cease, the fund is closed to the fund responsible for continuing operations.

Capital projects funds account for the construction of assets funded by bonds, or for the accumulation of funds to replace major equipment.

Enterprise funds are used to account for operations which are financed and operated like a private business, where the governing body intends to finance the costs of providing services to the general public through user charges. The accrual basis of accounting is used (i.e., revenues are recognized when earned; expenses are recognized when incurred).

Only the current portion of long-term liabilities is included in governmental funds. The purchase of fixed assets is recorded in governmental funds, so no depreciation appears on the fund financial statements. GASB 34 requires the capitalization of roads, bridges, and sidewalks (infrastructure), for the government-wide financial statements. This was estimated based on an inventory made by the Technology Transfer Center at Utah State University when GASB34 was implemented.

All fixed assets are valued at historical cost, except donated assets, which are valued at estimated fair market value on the date donated (primarily streets, water, and sewer systems dedicated by developers).

All enterprise funds are accounted for on a cost of services of "capital maintenance" measurement focus. This means that long-term assets and debts are included on their balance sheets.

Depreciation is calculated on a straight line basis. One-half year depreciation is taken in the year the asset is placed in service. No depreciation is calculated for the year the asset is disposed of. When assets are transferred, all depreciation is charged to the department receiving the asset. Estimated useful lives are:

Sewer & Water Systems	50 years
Roads	20 years
Buildings & improvements	10 -50 years
Equipment	3-20 years

Annual budgets are adopted by the City Council on or before June 22 for the following fiscal year. Budgets may be increased by resolution of the City Council at any time during the fiscal year following a public hearing.

Property taxes are collected by Cache County and remitted monthly. Real property taxes are due and payable on November 30 of each year. Personal property taxes are collected and remitted to the City monthly.

For the purposes of the Statement of Cash Flows, the business-type activities considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Bond issuance costs are deferred and amortized over the life of the bonds using the straight line method. Issuance costs are reported as deferred charges.

The preparation of financial statements in conformity with generally accepted accounting principles required management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

During the fiscal year, purchase orders are booked as expenditures when issued. There were no purchase orders authorized but not invoiced at June 30, 2005. Also, purchase commitments for which no invoice was actually received before the cut-off date for accounts payable and exceeding \$200 are accrued each month and at year end.

## Reconciliation of government-wide and fund financial statements

### A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental funds type balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. These differences primarily result from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental funds type balance sheets.

#### Capital related items:

When capital assets (property, plant, & equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$19,191,398
Accumulated depreciation	<u>(10,044,019)</u>
Total difference	<u>\$ 9,147,379</u>

#### Long-term liabilities:

Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements.

Principal portion of bonds and leases \$	(2,038,498)
Bond issue costs, net of amortization	12,220
Compensated absences	<u>(126,118)</u>
	<u>\$ (2,152,396)</u>

### B. Explanation of differences between governmental fund operating statements and the statement of net activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital outlay	\$1,405,703
Loss on disposal of assets	(24,207)
Depreciation expense	<u>(795,852)</u>
Net difference as reported	<u>\$ 585,644</u>

The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal	\$190,000
Repayment of capital lease principal	111,153
Increase in accrued compensated absences	(3,027)
Amortization of bond issuance costs	<u>(940)</u>
	<u>\$ 297,186</u>

### Note 3: Cash & investments

Cash includes amounts in demand deposit accounts, bond trust funds, and petty cash. The City maintains a common investment pool with the Utah State Treasurer that is available for use by all funds. Interest earned is allocated monthly based on respective fund investments. There are also two trust funds with the Utah State Treasurer related to Sewer bonds.

At June 30, 2005, the book balance of demand deposits was \$(52,443), while the bank balance was \$119,215. Of the bank balance \$100,000 was covered by federal depository insurance while \$19,215 was uninsured and uncollateralized. The Utah Code does not require deposits to be collateralized.

At June 30, 2005, the City's cash and investments included the following:

	Amount	Rate
Cash:		
Demand deposit accounts	\$ (52,443)	1.1%
PTIF	1,266,896	3.18%
Petty cash	555	0.00%
Other	<u>380</u>	0.00%
Total unrestricted cash	<u>\$1,215,388</u>	
Restricted cash:		
US Bank Treasury Bills	\$ 245,082	2.28%
US Bank PTIF	230,130	3.18%
PTIF	<u>246,812</u>	3.18%
Total restricted cash	<u>\$ 722,024</u>	

The City follows the requirements of the Utah Money Management Act (UMMA). The City held no investments at June 30, 2005, which were subject to the UMMA risk categorizations.

**Note 4: Accounts receivable**

The City has accounts receivable as of June 30, 2005, as follows:

Garbage and Dispatch fee	\$ 54,076
Water	56,325 (net of \$7,806 allowance)
Sewer	49,323 (net of \$4,930 allowance)
Property tax	637,388
Court	65,189 (net of \$24,666 allowance)
Sales tax	108,339
Class C Road funds	<u>46,978</u>
Total	<u>\$ 1,017,618</u>

**Note 5: Utility users**

As of June 30, 2005, the number of utility users were:

	Residential	Commercial
Water	1,750	75
Sewer	1,618	197
Garbage	1,673	97
Dispatch	1,938	187

Water rates:

\$1.57 per thousand gallons, plus:

Meter size	Fee
¾ or 1	7.11
1 ½	10.34
2	14.22
3	29.09
4	54.29
5	135.74

Sewer rates:

\$1.15 per thousand gallons winter water usage, plus:

Water meter size	Fee
¾ or 1	13.00
1 ½	17.88
2	24.38
3	48.75
4	89.38
5	221.00

Garbage rates:

Residential 90 gallon	13.30
Residential 60 gallon	9.45
Green Waste	4.00
Commercial	\$1.05 plus \$6.20 per cubic yard of container

**Note 6: Insurance & bond coverages**

As of June 30, 2005, insurance and bond coverages are as follows:

Type	Insurer	Limit	Expires
Comprehensive general Liability	The St Paul	\$1,000,000	7/1/05
Errors and omissions	The St Paul	1,000,000	7/1/05
Law enforcement Liability	The St Paul	1,000,000	7/1/05
Automobiles – liability	The St Paul	1,000,000	7/1/05
Fire-buildings & Contents	The St Paul	4,515,091	7/1/05
Treasurer position bond	Kemper	40,000	2/1/06
Mayor & Treasurer Bonds	Western Surety	424,710	6/26/06
Blanket employee bond	Allied Insurance	10,000	4/1/06
Treasurer position bond	Hartford	346,000	11/16/06

**Note 7: Overexpended budget**

The following departments within the General Fund overexpended their budgets:

Executive	7,206
Transfer to capital projects	3,701
Recreation & culture	2,661
Sanitation	1,064
Streets	676
Planning & zoning	361
Park & park areas	8,855



**Note 8: Long-term debt**

Long-term debt at June 30, 2005, consists of the following:

Water fund:	7/1/04	New debt	Principal Paid	6/30/05
US Bank Trust; \$2,495,000 due in annual installments ranging from \$50,000 to \$780,000 per year plus interest ranging from 3.10% to 4.70%	2,220,000	0	120,000	<u>2,100,000</u>
Total water fund				<u>\$2,100,000</u>
Sewer fund:				
GMAC; \$1,000,000 Due in monthly Installments of \$4,830 including interest at 5.00%	653,443	0	23,551	629,892
GMAC; \$560,000 Due in annual Installments of \$32,911 including interest at 5.00%	368,259	0	14,298	<u>353,961</u>
Total sewer fund				<u>\$983,853</u>
General fund:				
National City Commercial Capital; Fire Truck, \$566,535 due in Annual installments Of \$56,653 including interest	199,855	0	46,215	153,640
US Bank; road Construction, \$1,070,000 due in annual installments ranging from \$90,000 to \$130,000 plus interest ranging from 4.00% to 4.75%	480,000	0	110,000	370,000

US Bank; library,  
\$2,000,000 due in  
annual installments  
ranging from \$75,000  
to \$680,000 plus  
interest ranging from  
4.85% to 5.00%

1,560,000

0

80,000

1,480,000

Caterpillar; tool  
Carrier, \$81,294  
Due in monthly  
Installments of  
\$1,694

25,923

0

19,107

6,816

Caterpillar; motor  
Grader, \$121,148  
Due in monthly  
Installments of  
\$2,524

38,631

0

28,474

10,157

Zion's Bank;  
2 police cars,  
\$52,068 due in  
annual installments  
of \$18,431

35,242

0

17,357

17,885

Total general fund

\$2,038,498

Assets have been restricted and retained earnings reserved to meet bond sinking fund requirements.  
The City is in compliance with all significant bond requirements.

The annual requirements to amortize long-term debt outstanding as of June 30, 2005, are as follows:

<u>June 30</u>	<u>Lease Principal</u>	<u>Lease Interest</u>	<u>Bond Principal</u>	<u>Bond Interest</u>
2006	83,488	9,351	366,715	229,188
2007	51,169	5,485	388,865	213,015
2008	53,841	2,812	406,127	195,679
2009			288,505	177,391
2010			296,005	164,560
2011			308,635	151,268
2012			326,400	137,095
2013			339,308	121,792
2014			357,366	105,879
2015			375,582	88,866
2016			393,963	70,720
2017			412,519	51,686
2018			436,259	31,757
2019			80,191	10,680
2020			157,413	5,012
Totals	<u>\$188,498</u>	<u>\$17,648</u>	<u>\$ 4,933,853</u>	<u>\$ 1,754,588</u>

#### **Note 9: Retirement Systems**

##### **Plan Description**

The City contributes to the Local Government Contributory Retirement System, The Local Government Noncontributory Retirement System, The Public Safety Contributory Retirement System, and the Public Safety Noncontributory Retirement System for employers with Social Security coverage. All of these are cost-sharing, multiple-employer defined benefit pension plans administered by the Utah Retirement Systems, which provides retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with Utah Code Title 49.

The Utah State Retirement Board, whose members are appointed by the Governor, oversees the Utah Retirement Systems. A copy of the Utah Retirement Systems annual report may be obtained by writing the Utah Retirement Systems, 540 E 200 S, Salt Lake City UT 84102 or by calling 1-800-365-8772. This document includes the financial statements and required supplementary information for all the plans administered by the Utah Retirement Systems.

## Funding Policy

Rates	Paid by Employer for		
	<u>Employee</u>	<u>Employer</u>	<u>401(k)</u>
Local Gov't Contributory	6.00	7.08	0
Local Gov't Noncontributory	0	11.09	1.99
Public Safety Contributory	12.29	7.70	0
Public Safety Noncontributory	0	19.08	0.90

Contributions	<u>6/30/2005</u>	<u>6/30/2004</u>	<u>6/30/2003</u>
Local Gov't Contributory	8,470	7,339	7,525
Local Gov't Noncontributory	86,840	70,122	55,454
Public Safety Contributory	40,400	33,072	36,122
Public Safety Noncontributory	5,605	3,747	2,489

One employee previously retired under the Public Safety Contributory plan. The Police chief retired November 30, 2003, under the Public Safety Noncontributory plan but continues to work. The City pays 19.98% of their salary to a 401K plan. Payments for 2005 totaled \$32,623.

No contribution is made for covered part-time employees who work less than 20 hours a week.

### Note 10: Changes in Fixed Assets

General fixed asset changes occurring for the year ended June 30, 2005, are as follows:

	<u>7/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/05</u>
Land	\$1,821,600	\$ 93,139	\$	\$1,914,739
Water shares	58,169			58,169
Buildings	2,125,368	29,588		2,154,956
Library	397,400			397,400
Police	311,040	55,583	23,094	343,529
Fire	770,103	280,010	21,000	1,029,113
Streets	561,296	106,547		667,843
Parks	107,084	13,086		120,170
Facilities	39,241			39,241
Inspection	110,621	6,677		117,298
Administrative	23,997		7,534	16,463
Executive	37,640	7,844	2,354	43,130
Planner	18,978	4,272		23,250
Court	4,977			4,977
Road System	<u>12,833,095</u>	<u>808,957</u>	<u>1,380,932</u>	<u>12,261,120</u>
Total assets	<u>19,220,609</u>	<u>1,405,703</u>	<u>1,434,914</u>	<u>19,191,398</u>
Accumulated depreciation	<u>(10,658,874)</u>	<u>(795,852)</u>	<u>(1,410,707)</u>	<u>(10,044,019)</u>
Net assets	<u>\$ 8,561,735</u>	<u>\$ 609,851</u>	<u>\$ 24,207</u>	<u>\$9,147,379</u>

Enterprise fund changes were as follows:

Water:

Land	\$ 10,301	\$	\$	\$ 10,301
Water shares	11,659	4,500		16,159
System	6,729,761	630,533		7,360,294
Equipment	459,438	7,791	1,645	465,584
Accumulated depreciation	<u>(2,314,055)</u>	<u>(169,771)</u>	<u>(1,645)</u>	<u>(2,482,181)</u>
Net assets	<u>\$4,897,104</u>	<u>\$ 473,053</u>	<u>\$ 0</u>	<u>\$5,370,157</u>

Sewer:

Land	\$ 850	\$	\$	\$ 850
System	4,061,669	47,697		4,109,366
Equipment	270,266	3,000		273,266
Accumulated depreciation	<u>(1,761,748)</u>	<u>(111,391)</u>		<u>(1,873,139)</u>
Net assets	<u>\$2,571,037</u>	<u>\$ (60,694)</u>	<u>\$ 0</u>	<u>\$ 2,510,343</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 6,744
Public safety	105,214
Streets	606,054
Parks & recreation	76,262
Community development	<u>1,578</u>
	<u>\$795,852</u>

**Note 11: Segment Information for Enterprise Funds**

Net working capital for the water and sewer enterprise funds is calculated as follows:

	Water	Sewer
Current Assets:		
Cash	\$690,652	\$ 536,047
Receivables	56,325	49,323
Current Liabilities:		
Accounts payable	(193,616)	(79,060)
Current portion		
Long-term debt	<u>(125,000)</u>	<u>(41,715)</u>
Net Working Capital	<u>\$428,361</u>	<u>\$464,595</u>

**Note 12: Risk Management**

In addition to the insurance coverage in Note 6, workers compensation is carried through the Utah Local Government Trust. Settlement amounts have not exceeded insurance coverage for the current year of the three prior years.

**Note 13: Operating leases**

A street sweeper is leased from Tennant Financial Services for a period of five years. The monthly payment is \$2,359. Principal and interest payments for the next three remaining years are as follows:

<u>June 30</u>	
2006	28,308
2007	<u>7,077</u>
Total	<u>\$ 35,385</u>

**Note 14: Compensated Absences**

Most employees earn paid vacation and sick days each month based on length of service. Also, if sick time is not used during the calendar year, up to 32 hours can be converted to vacation time at December 31. In addition, some employees are still owed for compensatory time in lieu of overtime pay from previous years. Vacation hours in excess of two years earnings not used before November 1 are forfeited. The termination method was used to accrue compensated absences of \$126,118 in the General Fund. All vacation hours and all compensatory time hours would be paid on termination. Only 10% of sick hours would be paid. Sick hours excluded amounts to \$204,469. Based on past experience 20% of sick hours would be used in a year.

**Note 15: Postretirement Employee Benefits**

One retiree is receiving health insurance based on 75% of his unused sick leave at the time he retired. The liability at June 30, 2005, was \$10,190.

**Note 16: Memorandum Totals**

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

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**SUPPLEMENTAL SECTION**



**NORTH LOGAN CITY  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET**

**JUNE 30, 2005**

**With Comparative Totals for June 30, 2004**

	<u>Library</u>	<u>Total Nonmajor Governmental</u> <u>2005</u>	<u>2004</u>
<b>ASSETS</b>			
Cash & cash equivalents	\$ 73,915	\$ 73,915	\$ 376,922
Restricted cash	<u>-</u>	<u>-</u>	<u>219,814</u>
Total assets	<u>\$ 73,915</u>	<u>\$ 73,915</u>	<u>\$ 596,736</u>
<b>LIABILITIES &amp; FUND BALANCE</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 10,020	\$ 10,020	\$ 4,840
Accrued expenses	<u>2,973</u>	<u>2,973</u>	<u>1,865</u>
Total liabilities	<u>12,993</u>	<u>12,993</u>	<u>6,705</u>
<b>Fund balances:</b>			
Reserved			
Encumbrances			219,814
Unreserved:			
Special revenue funds	60,922	60,922	43,086
Capital projects funds	<u>-</u>	<u>-</u>	<u>327,131</u>
Total fund balances	<u>60,922</u>	<u>60,922</u>	<u>590,031</u>
Total liabilities & fund balances	<u>\$ 73,915</u>	<u>\$ 73,915</u>	<u>\$ 596,736</u>

The notes to the financial statements are an integral part of this statement.

**NORTH LOGAN CITY**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 2005**  
**With Comparative Totals for June 30, 2004**

	Library	Total Nonmajor Governmental 2005	2004
<b>REVENUES</b>			
Taxes	\$ 274,319	\$ 274,319	\$ 263,476
Intergovernmental revenue	2,737	2,737	2,735
Charges for services	-	-	-
Fines	7,057	7,057	8,768
Other	56,432	56,432	46,660
 Total revenues	 <u>340,545</u>	 <u>340,545</u>	 <u>321,639</u>
 <b>EXPENDITURES</b>			
Current operations:			
Public safety	-	-	25,588
Streets	-	-	16,270
Parks and recreation	322,709	322,709	313,826
 Total expenditures	 <u>322,709</u>	 <u>322,709</u>	 <u>355,684</u>
 Net change in fund balances	 17,836	 17,836	 (34,045)
 Transfers in (out)	 -	 -	 223,149
 Fund balances-beginning	 43,086	 590,031	 400,927
Less: capital projects fund balance shown as major	<u>-</u>	<u>(546,945)</u>	<u>-</u>
 Fund balances-ending	 <u>\$ 60,922</u>	 <u>\$ 60,922</u>	 <u>\$ 590,031</u>

The notes to the financial statements are an integral part of this statement.



Peterson  
Allred  
Jackson

\* Certified Public Accountants  
Business Consultants

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and City Council  
North Logan City  
North Logan, Utah

We have audited the financial statements of the North Logan City, Utah (the City) as of and for the year ended June 30, 2005, and have issued our report thereon dated September 9, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material

weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we have reported to management in a separate letter dated September 9, 2005.

This report is intended for the information of the City Council and management, and certain legislative bodies. However, this report is a matter of public record and its distribution is not limited.

*Peterson Allred Jackson*

September 9, 2005



Peterson  
Allred  
Jackson

▪ Certified Public Accountants  
Business Consultants

## **INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE**

Honorable Mayor and City Council  
North Logan City  
North Logan, Utah

We have audited the financial statements of the North Logan City, Utah (the City), for the year ended June 30, 2005, and have issued our report thereon dated September 9, 2005. As part of our audit, we have audited the City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special test and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)  
Liquor Law Enforcement (State Tax Commission)

The City also received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to test work as part of the audit of the City of North Logan's financial statements.)

Public Library Development Grant (Department of Community and Economic Development)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Compliance Audit Guide, including:

Public Debt	Justice Courts
Cash Management	B & C Road Funds
Purchasing Requirements	Liquor Law Enforcement
Budgetary Compliance	Other General Issues
Truth in Taxation and	Impact fees
Property Tax Limitations	

The management of the City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the North Logan City, Utah, complied, in all material respects, with the general compliance requirements identified above, and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

*Peterson Allred Jackson*

September 9, 2005



Peterson  
Allred  
Jackson

■ Certified Public Accountants  
Business Consultants

September 9, 2005

Honorable Mayor and City Council  
North Logan City  
North Logan, Utah

Dear Mayor Potter:

In planning and performing our audit of the financial statements of North Logan, Utah (the City), for the year ended June 30, 2005, we developed the following recommendations concerning certain matters related to internal control structure (other than "reportable conditions") and certain administrative and operating matters. These recommendations resulted from our observations made in connection with our audit of the City's financial statements for the year ended June 30, 2005, and are not based on a special study. Our comments and principal recommendations are summarized.

#### **PRIOR YEAR FINDINGS**

Finding: *Budgetary Compliance.* During our review of the budget to actual for the departments of the City, we became aware that several department's actual expenditures exceeded the appropriations.

Recommendations: We recommend that the City monitor expenditures closely and provide for expenditures for goods and services received prior to the fiscal year end with payment to be made subsequent to the year end.

Management response: Reports of spending are issued weekly to department heads during May and June. However, this year's overages were due to unanticipated events. The City Council was anxious to adopt the final revision of the budget for FY2004 and the budget for FY2005, so both were approved at the June 3 meeting.

A new state surcharge for security was imposed on the court beginning in May and higher volume of court cases in May and June increased our payments to the State of Utah.

The metered sewer charges from Logan received in mid-May were unusually high due to leakage of storm water from heavy storms in March into our system. These charges cannot be recovered from customers.

Fees from a consultant for city planning were higher than anticipated.

No monitoring system can cope with unanticipated events in the last month of a fiscal year.

Status: Many departments exceeded budget at the end of the year. See current year finding.

Finding: *Interest allocation.* No interest income was allocated to the water and sewer impact fee accounts during the year.

Recommendation: Establish a method for allocating interest income to funds and post interest earnings on a monthly basis.

Management response: Interest accounts will be set up to include these impact fees in the monthly allocation of interest earned.

Status: Interest was properly allocated during the year.

Finding: *Construction deposits.* The City does not have a policy for releasing old outstanding construction deposits. This results in many old deposits staying booked for many years.

Recommendation: Establish a policy and procedure for closing out and releasing deposits after an amount of time has expired or when the deposit has to be used to make required repairs.

Management response: These deposits are large enough that the escheat laws require us to remit any unforfeited bonds to the State Treasurer one year after they should be returned to the contractor posting the bond (three years after the bond is posted). A letter must be sent to the last known address between 120 and 60 days prior to remitting the funds to the State Treasurer. This should give the contractor time to request that the City Engineer inspect the road repair and decide if the bond should be forfeited to the city or returned to the contractor.

Status: Great improvement was made in releasing deposits during the year.

Finding: *Unreserved fund balance.* The State requires that cities must maintain an unreserved general fund balance of at least 5%. The City had an unreserved general fund balance of 2% as of June 30, 2004.

Recommendation: Establish a plan to increase the unreserved general fund balance by approximately \$100,000.

Management response: The budget revision approved June 3 showed a 6.05% fund balance. This was the basis for the transfer to the Capital Projects fund for replacement of capital assets. The FY2005 transfer to the Capital Projects fund will be reduced to return the unreserved fund balance to 5%.

Status: The City's unreserved general fund balance was still below the required 5%. See current year finding.

Finding: *Justice court.* The City did not remit all of their monthly reports to the State by the 10<sup>th</sup> of each month.



Recommendation: Prepare all applicable reports on a timely basis to meet the required deadline.

Management response: The court computer was infected with viruses several times. This prevented access to the data needed to prepare the report. It has since been upgraded to Window XP with better anti-virus protection.

Status: Improvement in the timing was made for the report submission, but one month was not remitted by the 10<sup>th</sup> of the month. See current year finding.

## CURRENT YEAR FINDINGS

Finding: *Unreserved fund balance.* The State requires that cities must maintain an unreserved general fund balance of at least 5%. The City had an unreserved general fund balance of 2.5% as of June 30, 2005.

Recommendation: Establish a plan to increase the unreserved general fund balance by approximately \$100,000.

Management response: The city budget has typically been structured to provide the city council with information about the projected unreserved fund balance that will result if the budget is followed. The council has always set a target of at least 5% fund balance but setting the target at this minimum point does not leave sufficient room for error or unanticipated expenses or revenue shortfalls as the fiscal year closes out. The council will revise its FY2006 budget in order to ensure the required fund balance is met for FY2006 and with room to spare.

Finding: *Justice court.* The City did not remit one of their monthly reports to the State by the 10<sup>th</sup> of the month.

Recommendation: Prepare all applicable reports on a timely basis to meet the required deadline.

Management response: There was only monthly justice court report which was late by three days. This occurred during the holiday season. Although this represents improvement over the previous year when three reports were late, the court clerk has been advised as to the importance of having these reports in on time. Management will continue to monitor the reports on a monthly basis to ensure they are submitted on time.

Finding: *Budgetary Compliance.* During our review of the budget to actual for the departments of the City, we became aware that several department's actual expenditures exceeded the appropriations.

Recommendations: We recommend that the City monitor expenditures closely and provide for expenditures for goods and services received prior to the fiscal year end with payment to be made subsequent to the year-end.

Management response: *Executive:* The over-budget spending in Executive was a result of changing the account used for a secretary's health benefits. Adjustments made in June did not take into account that her health benefits had previously been covered in the Administrative accounts rather than where it was budgeted, which was Executive. This was a one-time error, corrective action has already been take to ensure these health benefits are paid from the same account where they were budgeted.

*Transfer to Capital Projects:* Additional funds were transferred to the Capital Projects fund as the fiscal year closed out to ensure that fund was not overspent. Management will monitor this account more closely and take action to have extra funds in the Capital Projects account to carry over to following years.

*Recreation & Culture:* This over-budget spending was for extra Little League supplies procured during late June. As this is a restricted fund there was a misunderstanding that if funds were available they could be used, but the budget had not been modified for these extra purchases. Management has advised the supervisor of this error and will monitor the account more closely.

*Sanitation:* This over-budget expenditure represents less than  $\frac{1}{4}$  of 1% variance from the projected budget. Projecting the fees to be paid to Logan City for sanitation services can vary slightly from month to month. Management will ensure future expenditure projections leave a little room for error.

*Streets:* Again this variance is very small in comparison to the total streets budget. The over-budget amount here is less than  $\frac{1}{10}^{\text{th}}$  of 1%. Again management will ensure future expenditure projections leave a little room for error.

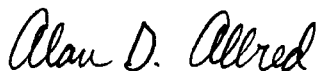
*Planning & Zoning:* The over-budget expenditure in this area was for the wages paid to the members of the planning commission. Earlier budgets for the year authorized more than enough to cover this expenditure but the later budgets reduced this line item more than it should have been. Management will modify the way it computes the projected funds for wages for the planning commission for more accuracy.

*Park & Park Areas:* The over-budget expenditures in this area were partly due to employee wages. The budget is built assuming only Park Department Employees' wages are charged to this account. When other departments loan personnel to this department to do work in the parks, as was the case in June of this year, their wages are paid for in this department rather than their "home" department such as Streets or Utilities. Management will monitor this cross-utilization of personnel to more accurately project costs in the correct account.

In conclusion, we wish to recognize Jeff Jorgensen and Tom Northenor for the excellent services provided to North Logan City. They have been most cooperative in assisting us in the performance of the audit for the 2005 fiscal year. The performance of the North Logan City annual fiscal year audit has been an enjoyable experience for us and we would like to thank the City for the opportunity to serve as independent auditors.

Very truly yours,

PETERSON ALLRED JACKSON



Alan D. Allred, CPA

CITY OF NORTH LOGAN

2076 NORTH 1200 EAST  
NORTH LOGAN, UTAH 84341  
(435) 752-1310  
FAX (435) 752-1357

CARY WATKINS, MAYOR

JEFFREY M. JORGENSEN, P.E.  
CITY ADMINISTRATOR, RECORDER

MacRay A. Curtis, CPA  
Director, Local Government Division  
Office of the State Auditor  
PO Box 142310  
Salt Lake City, Utah

January 3, 2006

Dear Mr. Curtis

Having received your letter of December 9, 2005 (attached) regarding the financial report submitted by North Logan City for the year ended June 30, 2005, I provide the following in response. Actions have been taken by the city to correct the findings delineated by our independent auditor during the annual audit.

**Finding: *Unreserved Fund Balance*.** Response: The city budget has typically been structured to provide the city council with information about the projected unreserved fund balance that will result if the budget is followed. The council has always set a target of at least 5% fund balance but setting the target at this minimum point does not leave sufficient room for error or unanticipated expenses or revenue shortfalls as the fiscal year closes out. The council has revised its FY2006 budget in order to ensure the required fund balance is met for FY2006 and with room to spare. If the current approved budget is followed the projected unreserved fund balance will be between 9 and 10 percent. The person responsible for corrective action is myself, Jeff Jorgensen, the City Administrator/Recorder. Completion date was on the passage of the revised FY2006 budget approved by the city council on November 3, 2005.

**Finding: *Justice Court Monthly Reports*.** Response: There was only monthly justice court report which was late by three days. This occurred during the holiday season. Although this represents improvement over the previous year when three reports were late, the court clerk has been advised as to the importance of having these reports in on time. Management will continue to monitor the reports on a monthly basis to ensure they are submitted on time. The person responsible for corrective action is Jennifer Johnson, the Justice Court Clerk. Completion date – ongoing.

**Finding: *Budgetary Compliance*.** Responses:  
**Executive:** The over-budget spending in Executive was a result of changing the account used for a secretary's health benefits. Adjustments made in June did not take into account that her health benefits had previously been covered in the Administrative accounts rather than where it was budgeted, which was Executive. This was a one-time error, corrective action has already been taken to ensure these health benefits are paid from the same account where they were budgeted. The person responsible for corrective action is again myself, Jeff Jorgensen, the City Administrator/Recorder. Completion date – not applicable.

*Transfer to Capital Projects:* Additional funds were transferred to the Capital Projects fund as the fiscal year closed out to ensure that fund was not overspent. Management will monitor this account more closely and take action to have extra funds in the Capital Projects account to carry over to following years. The person responsible for corrective action is again myself, Jeff Jorgensen, the City Administrator/Recorder. Completion date – ongoing.

*Recreation & Culture:* This over-budget spending was for extra Little League supplies procured during late June. As this is a restricted fund there was a misunderstanding that if funds were available they could be used, but the budget had not been modified for these extra purchases. Management has advised the supervisor of this error and will monitor the account more closely. The person responsible for corrective action is Brett Daniels, the Recreation Director. Completion date – ongoing.

*Sanitation:* This over-budget expenditure represents less than  $\frac{1}{4}$  of 1% variance from the projected budget. Projecting the fees to be paid to Logan City for sanitation services can vary slightly from month to month. Management will ensure future expenditure projections leave a little room for error. The person responsible for corrective action is again myself, Jeff Jorgensen, the City Administrator/Recorder. Completion date – ongoing.

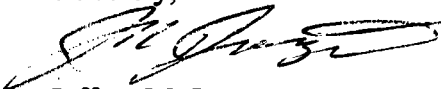
*Streets:* Again this variance is very small in comparison to the total streets budget. The over-budget amount here is less than  $\frac{1}{10^{\text{th}}}$  of 1%. Again management will ensure future expenditure projections leave a little room for error. The person responsible for corrective action is, Robert Crookston, the Streets Superintendent. Completion date – ongoing.

*Planning & Zoning:* The over-budget expenditure in this area was for the wages paid to the members of the planning commission. Earlier budgets for the year authorized more than enough to cover this expenditure but the later budgets reduced this line item more than it should have been. Management will modify the way it computes the projected funds for wages for the planning commission for more accuracy. The person responsible for corrective action is again myself, Jeff Jorgensen, the City Administrator/Recorder. Completion date – not applicable.

*Park & Park Areas:* The over-budget expenditures in this area were partly due to employee wages. The budget is built assuming only Park Department Employees' wages are charged to this account. When other departments loan personnel to this department to do work in the parks, as was the case in June of this year, their wages are paid for in this department rather than their "home" department such as Streets or Utilities. Management will monitor this cross-utilization of personnel to more accurately project costs in the correct account. The person responsible for corrective action is again myself, Jeff Jorgensen, the City Administrator/Recorder. Completion date – ongoing.

Direct any questions related to the above to me at (435) 752-1310.

Sincerely,



Jeffrey M. Jorgensen  
City Administrator/Recorder